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January 3, 2020

VIA ELECTRONIC FILING

Jocelyn G. Boyd, Esquire
Chief Clerk & Administrator
Public Service Commission of South Carolina
101 Executive Center Drive, Suite 100
Columbia, South Carolina 29210

RE: Joint Applications for Approval of the Sale of Assets and Transfer of Facilities, Territory and Certificate of Public Convenience and Necessity from T.J. Barnwell Utility, Inc. and Harbor Island Utilities, Inc. to South Carolina Water Utilities, Inc.
Docket Numbers 2019-318-S and 2019-319-WS

Dear Ms. Boyd:

By this letter, the South Carolina Office of Regulatory Staff ("ORS") hereby notifies the Public Service Commission of South Carolina ("Commission") that ORS has reviewed the filing submitted by T.J. Barnwell Utility, Inc. ("T.J. Barnwell"), Harbor Island Utilities, Inc. ("Harbor Island"), and South Carolina Water Utilities, Inc. ("SCWU" and collectively, "Companies") for the sale of assets and transfer of facilities, territory and certificates of public convenience ("Applications") from T.J. Barnwell and Harbor Island to SCWU.

Overview of Company's Request

T.J. Barnwell owns and operates sewer systems in Beaufort County which serves 326 customers. The current schedule of rates and charges was approved by the Commission in Order No. 2016-49, Docket No. 2015-201-S. Harbor Island owns and operates a water and sewer system in Beaufort County which serves 402 water customers and 446 sewer customers. The current schedule of rates and charges was approved by the Commission in Order No. 2017-80(A), Docket No. 2016-29-WS.

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SCWU is a wholly-owned subsidiary of SouthWest Water Company (“SWWC”). SWWC owns another Commission-regulated utility, Kiawah Island Utility, Inc. SCWU was formed by SWWC to acquire Harbor Island and T.J. Barnwell. SCWU, T.J. Barnwell, and Harbor Island seek approval of the Applications and a waiver of any requirement for formal hearing if, after notice, no substantial opposition arises therefrom.

If approved, SCWU will own and operate the sewer system formerly owned and operated by T.J. Barnwell and the water and sewer system formerly owned and operated by Harbor Island, pursuant to the current schedules of rates and charges approved by the Commission. Rates and charges will only be changed if and when the Commission approves any adjustments in the future. Once the Applications are approved, ORS understands SCWU will post performance bonds as required by S.C. Code Regs. 103-512.3 and 103-712.3.

ORS Review

ORS reviewed the Applications and issued discovery to the Companies. ORS understands that SCWU will absorb the customers, assets and operations of T.J. Barnwell and Harbor Island. Upon close of the sale, the customers formerly served by T.J. Barnwell will continue to be charged for sewer service in accordance with the terms, conditions, rates and charges approved by the Commission in Order No. 2016-49. Likewise, the customers formerly served by Harbor Island will continue to be charged for water and sewer service in accordance with the terms, conditions, rates and charges approved by the Commission in Order No. 2017-80(A).

The Company stated that the day-to-day operations of SCWU will be conducted using the same personnel currently at T.J. Barnwell and Harbor Island with support and oversight from Becky Dennis, Director of Operations for Kiawah Island Utility, Inc., and her team. This includes weekend licensed duty operators. The Companies do not specify if the sale and transfer will provide additional cost savings to the customers. The Company will keep its books and records separately for each service area.

ORS received the 2018 Annual Reports due for T.J. Barnwell and Harbor Island and there are no outstanding gross receipts assessments. SCWU filed a Certificate of Existence with the Commission as Exhibit A to the Application. ORS received no customer complaints and no letters of protest were filed in the Dockets.

ORS recommends:

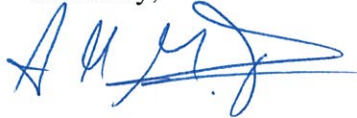
- 1) Approval of the sale of assets and transfer of facilities, territory and certificate of public convenience and necessity from Harbor Island and T.J. Barnwell to SCWU;
- 2) Require SCWU to charge customers for water and sewer service in accordance with the rate and charges currently approved by the Commission in Order Nos. 2017-80(A) and 2016-49;

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- 3) Require SCWU to file updated South Carolina Department of Health and Environmental Control (“SCDHEC”) water operating and wastewater disposal permits upon issuance by SCDHEC with the Commission;
- 4) Require SCWU to file two (2) separate performance bonds with the Commission at the maximum amount of \$350,000 each, one (1) for water and one (1) for sewer within 30 days of the completion of the sale and transfer; and
- 5) Require SCWU to maintain compliance with all Commission rules and regulations related to the provision of water and sewer service.

While the Companies have not requested approval of any cost recovery or special accounting treatment related to the Applications, ORS reserves its rights to review cost recovery or special accounting treatment at a future time.

Sincerely,



Andrew M. Bateman

cc: All Parties of Record (via e-mail)
Joseph Melchers, Esquire (via e-mail)